

CITY OF ISHPEMING, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>City of Ishpeming, Michigan</u>		County <u>Marquette</u>
Audit Date <u>12/31/04</u>	Opinion Date <u>2/25/05</u>	Date Accountant Report Submitted to State: <u>6-21-05</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <u>Anderson, Tackman & Co PC</u>			
Street Address <u>102 W. Washington Suite 109</u>	City <u>Marquette</u>	State <u>MI</u>	ZIP <u>49855</u>
Accountant Signature <u>John A. Binkley CPA</u>			

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Council
City of Ishpeming, Michigan
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Ishpeming, Michigan, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the City of Ishpeming, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information of the City of Ishpeming, Michigan at December 31, 2004, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 44 through 45 are not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2005 2004 on our consideration of City of Ishpeming's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Mayor and Members
of the City Council
City of Ishpeming, Michigan

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial schedules listed as other financial information in the table of contents are presented for purpose of additional analysis and is not a required part of basic financial statements of the City of Ishpeming, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 25, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Ishpeming's financial performance provides an overview of the City's financial activities for the year ended December 31, 2004. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The City's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.
- Net assets for the City as a whole increased by \$1,788,684 as a result of this year's operations. Net assets of our business-type activities increased by \$1,537,493, or 10 percent, and net assets of our governmental activities increased by \$251,191, or 6 percent.
- During the year, the City had expenses for governmental activities that were \$4,936,393 and generated \$5,187,584 in general revenues and other program sources.
- The City's business-type activities had expenses of \$2,657,073 and generated \$4,194,566 in revenues.
- The general fund reported a net change in fund balance of \$(90,274). This is \$255,633 higher than the forecasted decrease of \$(345,907).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer, water and ambulance systems and activities are reported here.
- *Component units* – The City includes one separate legal entity in its report – the Downtown Development Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds

The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The City as a Whole

Table I provides a summary of the City's net assets as of December 31, 2004.

Table 1
Net Assets

	Governmental Activities - 2004	Business-type Activities - 2004	Total Primary Government - 2004
Current and other assets	\$3,890,814	\$ 1,500,730	\$ 5,391,544
Noncurrent assets	319,048	6,104,656	6,423,704
Capital assets, net	<u>4,621,682</u>	<u>10,013,529</u>	<u>14,635,211</u>
Total Assets	8,831,544	17,618,915	26,450,459
Current liabilities	2,120,400	196,842	2,317,242
Noncurrent liabilities	<u>2,268,815</u>	-	<u>2,268,815</u>
Total Liabilities	4,389,215	196,842	4,586,057
Net Assets:			
Invested in capital assets, net of related debt	3,132,682	16,118,184	19,250,866
Restricted	804,968	-	804,968
Unrestricted	<u>504,679</u>	<u>1,303,889</u>	<u>1,808,568</u>
Total Net Assets	<u>\$4,442,329</u>	<u>\$17,422,073</u>	<u>\$21,864,402</u>

Net assets of the City's governmental activities stood at \$4,442,329. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$504,679.

The \$504,679 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$17,422,073. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

Table 2
Change in Net Assets

	Governmental Activities - 2004	Business-type Activities - 2004	Total Primary Government 2004
Revenues			
Program revenues:			
Charges for services	\$ 975,001	\$2,801,788	\$ 3,776,789
Operating grants and contributions	1,307,339	-	1,307,339
Capital grants and contributions	-	1,387,444	1,387,444
General revenues:			
Taxes	1,787,932	-	1,787,932
Unrestricted intergovernmental	999,043	-	999,043

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	Governmental Activities - 2004	Business-type Activities - 2004	Total Primary Government 2004
Investment earnings	\$ 64,993	\$ 5,334	\$ 70,327
Miscellaneous	<u>53,276</u>	<u>-</u>	<u>53,276</u>
Total Revenues	<u>5,187,584</u>	<u>4,194,566</u>	<u>9,382,150</u>
Program Expenses:			
Legislative	26,834	-	26,834
General government	1,328,977	-	1,328,977
Public safety	729,301	-	729,301
Public works	2,043,921	-	2,043,921
Recreation and culture	337,495	-	337,495
Other governmental	339,146	-	339,146
Interest on long-term debt	94,357	-	94,357
Depreciation – unallocated	36,362	-	36,362
Ambulance	-	738,600	738,600
Sewer	-	1,152,718	1,152,718
Water	-	<u>765,755</u>	<u>765,755</u>
Total Expenses	<u>4,936,393</u>	<u>2,657,073</u>	<u>7,593,466</u>
Increase (decrease) in net assets	<u>251,191</u>	<u>1,537,493</u>	<u>1,788,684</u>
Net assets, beginning	<u>4,191,138</u>	<u>15,884,580</u>	<u>20,075,718</u>
Net Assets, Ending	<u>\$4,442,329</u>	<u>\$17,422,073</u>	<u>\$21,864,402</u>

The City's total revenues were \$9,382,150. The total cost of all programs and services was \$7,593,466, leaving an increase in net assets of \$1,788,684. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

Government activities net assets decreased by \$251,191. This decline was due in part to a decrease of \$258,000 in State sources of revenue.

Table 3 presents the cost of each of the three largest programs – General Government, Public Safety and Public Works – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
General Government	\$1,328,977	\$(1,196,620)
Public Safety	729,301	(702,767)
Public Works	2,043,921	(629,241)

Business-type Activities

Business-type activities net assets increased from \$15,884,580 to \$17,422,073. This increase was primarily due to a \$1,387,444 capital contribution resulting from federally funded improvements to our 8th Addition storm sewer system. The Ambulance Fund experienced an \$86,204 reduction due to expenses exceeding revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a *combined* fund balance of \$2,236,685, a decrease of \$(84,777) from the beginning of the year.

The combined fund balance decline of \$84,777 was due to a decline of \$90,274 in the General Fund balance resulting from a decrease of \$258,000 in state source funding.

General Fund Budgetary Highlights

The General Fund budget amendments were an increase in the Legal Services budget of \$10,000 to pay for legal fees associated with employee grievances. The Engineer budget was increased by \$7,500 to pay for aerial photos of the City.

With these adjustments, actual charges to expenditures were \$853,217 less than the final amended budget and other financing uses were \$406,888 more than the final amended budget. Conversely, revenues were \$190,696 less than the final budget projection. Over the course of the year, the City Council revised the budget a few times.

Expenditures were \$853,217 less than the amended budget because the City has decreased its work force by 20% and health insurance costs were reduced by using a different health insurance provider. General Government was \$739,686 less than the budget, Public Safety was \$94,275 less than budget and Recreation and Culture was \$37,433 less than budget. Other financing sources were \$406,888 less than the \$370,500 budget because transfers into the General Fund were only \$86,967. In 2004 employee benefits for the Ambulance, Sewer and Water Funds were charged directly to those funds and not transferred to the General Fund at the end of the fiscal year. Transfers out of the General Fund were \$123,355, with the Local Street Fund receiving \$99,519 and the Brownfield Fund receiving \$23,836.

Revenues were \$190,696 less than the budget because the City received \$33,971 less Property Tax revenue, \$100,683 less State Revenue, \$23,458 less from Local Sources, \$4,750 less from Licenses and Permits, \$3,510 less from Charges for Services, \$853 less from Interest and Rents and \$33,497 less from Other Sources.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the City had \$14,635,211 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2004	Business-type Activities – 2004	Totals- 2004
Land	\$1,104,218	\$ 10,888	\$ 1,115,106
Construction in progress	36,260	-	36,260
Buildings	2,086,014	-	2,086,014
Equipment and vehicles	976,174	36,091	1,012,265
Infrastructure	419,016	-	419,016
Sewer system and equipment	-	8,327,966	8,327,966
Water system and equipment	-	1,638,584	1,638,584
Totals	<u>\$4,621,682</u>	<u>\$10,013,529</u>	<u>\$14,635,211</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The U.S. Army Corps of Engineers made \$1,300,000 in improvements to the City's 8th Addition storm sewer system. This was a result of the 2002 Federal Disaster Declaration due to flooding in April 2002 from rapid snow melt and rain exceeding the capacity of the 8th Addition storm sewer system.

There are no major capital projects planned for 2005.

Debt

At year-end, the City had \$2,088,176 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2004	Business-type Activities – 2004	Totals – 2004
Revenue bonds	\$1,477,000	\$ -	\$1,477,000
Contracts and notes payable	611,176	-	611,176
Totals	<u>\$2,088,176</u>	<u>\$ -</u>	<u>\$2,088,176</u>

There were no new additions to debt for this year and further details on long-term debt can be found in Note I.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials consider many factors when setting the fiscal year 2005 budget. One of those factors is the economy. The inability to increase property taxes proportional to the cost of providing government services and the continued reduction in State Statutory Revenue sharing payments along with the double digit increases in health insurance, natural gas, electricity and vehicle fuels has resulted in the City work force to be reduced by 20 percent through layoffs and retirements. The Ambulance Fund continues to operate at a deficit of around \$100,000 per year. The Ambulance service revenues and expenses need to be brought into balance because the deficits are paid by the General Fund which has had its fund balance decrease to an unacceptable low level of \$158,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Ishpeming, 100 East Division Street, Ishpeming, Michigan 49849.

City of Ishpeming, Michigan
Statement of Net Assets
December 31, 2004

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Unit
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 778,095	\$ 640,490	\$ 1,418,585	\$ 301,624
Investments	809,333	-	809,333	-
Receivables (net)	2,160,376	789,188	2,949,564	-
Prepaid expenses and other assets	143,010	71,052	214,062	-
Other current assets	-	-	-	-
TOTAL CURRENT ASSETS	3,890,814	1,500,730	5,391,544	301,624
Noncurrent assets:				
Long-term receivables	319,048	-	319,048	-
Unamortized bond issue costs	-	-	-	26,575
Investment in Wastewater Treatment Facility	-	2,597,333	2,597,333	-
Investment in Joint Water Authority	-	3,507,323	3,507,323	-
Capital assets:				
Land and construction in progress	1,140,478	10,888	1,151,366	-
Other capital assets	13,648,438	17,772,444	31,420,882	-
Accumulated depreciation	(10,167,234)	(7,769,803)	(17,937,037)	-
Total Capital Assets	4,621,682	10,013,529	14,635,211	-
TOTAL NONCURRENT ASSETS	4,940,730	16,118,185	21,058,915	26,575
TOTAL ASSETS	8,831,544	17,618,915	26,450,459	328,199
LIABILITIES:				
Current Liabilities:				
Accounts payable	374,737	37,203	411,940	246,434
Accrued liabilities	100,983	79,584	180,567	-
Compensated absences	4,082	80,055	84,137	-
Deferred revenue	1,493,375	-	1,493,375	-
Current portion of bonds payable	95,000	-	95,000	25,000
Current portion of notes payable	52,223	-	52,223	-
Other current liabilities	-	-	-	-
TOTAL CURRENT LIABILITIES	2,120,400	196,842	2,317,242	271,434
Noncurrent Liabilities:				
Compensated absences	327,862	-	327,862	-
Bonds payable	1,382,000	-	1,382,000	1,020,000
Long-term contracts and notes payable	558,953	-	558,953	-
Deferred gain on refunding	-	-	-	(55,000)
TOTAL NONCURRENT LIABILITIES	2,268,815	-	2,268,815	965,000
TOTAL LIABILITIES	4,389,215	196,842	4,586,057	1,236,434
NET ASSETS				
Invested in capital assets net of related debt	3,132,682	16,118,184	19,250,866	-
Restricted for:				
Debt Service	-	-	-	-
Other activities	804,968	-	804,968	-
Unrestricted	504,679	1,303,889	1,808,568	(908,235)
TOTAL NET ASSETS	\$ 4,442,329	\$ 17,422,073	\$ 21,864,402	\$ (908,235)

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Statement of Activities
For the Year Ended December 31, 2004

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business Type Activities
Primary Government:						
Governmental Activities:						
Legislative	\$ 26,834	\$ -	\$ -	\$ -	\$ (26,834)	\$ -
General government	1,328,977	132,357	-	-	(1,196,620)	(26,834)
Public safety	729,301	23,796	2,738	-	(702,767)	(1,196,620)
Public works	2,043,921	729,695	684,985	-	(629,241)	(702,767)
Recreation and culture	337,495	62,653	86,687	-	(188,155)	(629,241)
Other governmental	339,146	26,500	532,929	-	220,283	(188,155)
Interest on long-term debt	94,357	-	-	-	(94,357)	220,283
Depreciation - unallocated	36,362	-	-	-	(36,362)	(94,357)
Total Governmental Activities	4,936,393	975,001	1,307,339	-	(2,654,053)	(2,654,053)
Business Type Activities:						
Ambulance	738,600	652,209	-	-	-	(86,391)
Sewer	1,152,718	1,136,729	-	1,387,444	-	1,371,455
Water	765,755	1,012,850	-	-	-	247,095
Total Business Type Activities	2,657,073	2,801,788	-	1,387,444	-	1,532,159
TOTAL PRIMARY GOVERNMENT	\$ 7,593,466	\$ 3,776,789	\$ 1,307,339	\$ 1,387,444	(2,654,053)	(1,121,894)
Component Unit:						
Downtown Development Authority	287,586	-	-	-	-	(287,586)
TOTAL COMPONENT UNIT	\$ 287,586	\$ -	\$ -	\$ -	-	(287,586)
General Revenues:						
Taxes:						
Property taxes					1,502,258	1,502,258
Payment in lieu of taxes					285,674	285,674
Unrestricted intergovernmental sources					999,043	999,043
Interest and investment earnings					64,993	70,327
Miscellaneous					58,827	58,827
Gain(loss) on sale of assets					(5,551)	(5,551)
TOTAL GENERAL REVENUES					2,905,244	2,910,578
CHANGE IN NET ASSETS					251,191	1,788,684
Net assets, beginning of year					4,191,138	20,075,718
NET ASSETS, END OF YEAR					\$ 4,442,329	\$ 21,864,402

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Governmental Funds
Balance Sheet
December 31, 2004

ASSETS	General Fund	Major Street Fund	Public Improvement Fund	TIF District Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ -	\$ 4,642	\$ 713,692	\$ 307,439	\$ 486,143	\$ 1,511,916
Investments	15,000	-	-	13,304	781,029	809,333
Accounts receivable, net	282,784	-	-	1,600	20,716	305,100
Taxes receivable	519,451	-	324,647	-	194,787	1,038,885
Due from other governments	215,965	63,655	-	-	22,826	302,446
Due from component units	-	-	-	246,434	-	246,434
Due from other funds	1,340,787	-	59,126	377,437	162,169	1,939,519
Prepaid expenditures	143,010	-	-	-	-	143,010
Notes receivable	-	-	-	-	319,048	319,048
TOTAL ASSETS	\$ 2,516,997	\$ 68,297	\$ 1,097,465	\$ 946,214	\$ 1,986,718	\$ 6,615,691

LIABILITIES AND FUND BALANCE

LIABILITIES:	General Fund	Major Street Fund	Public Improvement Fund	TIF District Fund	Other Governmental Funds	Total Governmental Funds
Cash overdrafts	\$ 719,173	\$ -	\$ -	\$ -	\$ 14,648	\$ 733,821
Accounts payable	85,482	569	141,370	19,277	21,561	268,259
Accrued payroll	72,019	12,190	-	61	8,453	92,723
Accrued sick and vacation leave	3,954	-	-	-	128	4,082
Accrued liabilities	8,260	-	-	-	-	8,260
Due to other funds	495,532	-	150,552	873,339	259,063	1,778,486
Deferred revenue	973,941	-	324,647	-	194,787	1,493,375
TOTAL LIABILITIES	2,358,361	12,759	616,569	892,677	498,640	4,379,006
FUND BALANCE:						
Reserved for:						
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	833,846	833,846
Unreserved, reported in:						
General Fund	158,636	-	-	-	-	158,636
Special Revenue Funds	-	55,538	480,896	53,537	654,232	1,244,203
TOTAL FUND BALANCE	158,636	55,538	480,896	53,537	1,488,078	2,236,685
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,516,997	\$ 68,297	\$ 1,097,465	\$ 946,214	\$ 1,986,718	\$ 6,615,691

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2004

Total Fund Balances for Governmental Funds	\$	2,236,685
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,621,682
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$	95,000	
Current portion of notes and contracts payable		52,223	
Compensated absences		327,862	
Bonds payable		1,382,000	
Long-term contracts and notes payable		<u>558,953</u>	
			(2,416,038)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>4,442,329</u>
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The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2004

REVENUES:	General Fund	Major Street Fund	Public Improvement Fund	TIF District Fund	Other Governmental Funds	Total Governmental Funds
Taxes	\$ 1,177,029	\$ -	\$ 313,065	\$ -	\$ 187,838	\$ 1,677,932
Federal sources	-	-	-	256,050	23,400	279,450
State sources	1,009,117	464,184	1,000	-	235,014	1,709,315
Local sources	2,642	-	-	-	-	2,642
Licenses and permits	50,550	-	-	-	-	50,550
Charges for services	81,850	-	-	-	258,960	340,810
Interest income and rentals	313,147	1,035	3,370	211	56,410	374,173
Contributions	3,130	-	110,000	12,860	68,345	194,335
Fines and forfeitures	57,396	-	-	-	10,455	67,851
Other revenues	72,503	-	187,795	1,750	72,878	334,926
TOTAL REVENUES	2,767,364	465,219	615,230	270,871	913,300	5,031,984
EXPENDITURES:						
Current operations:						
Legislative	26,834	-	-	-	-	26,834
General government	1,303,081	-	-	-	-	1,303,081
Public safety	646,725	-	-	-	1,051	647,776
Public works	604,843	457,903	-	-	767,794	1,830,540
Recreation and culture	239,767	-	-	-	13,665	253,432
Other governmental	-	-	-	612,936	77,714	690,650
Debt service:						
Principal	-	18,330	40,000	15,210	66,284	139,824
Interest and fiscal charges	-	12,242	29,664	4,269	48,182	94,357
Capital outlay	-	-	338,000	-	-	338,000
TOTAL EXPENDITURES	2,821,250	488,475	407,664	632,415	974,690	5,324,494
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(53,886)	(23,256)	207,566	(361,544)	(61,390)	(292,510)
OTHER FINANCING SOURCES (USES):						
Investment in landfill	-	-	-	-	(38,701)	(38,701)
Transfers in	86,967	-	-	246,434	298,640	632,041
Transfers (out)	(123,355)	(116,000)	(59,285)	-	(86,967)	(385,607)
TOTAL OTHER FINANCING SOURCES (USES)	(36,388)	(116,000)	(59,285)	246,434	172,972	207,733
CHANGE IN FUND BALANCE	(90,274)	(139,256)	148,281	(115,110)	111,582	(84,777)
Fund balance, beginning of year	248,910	194,794	332,615	168,647	1,376,496	2,321,462
FUND BALANCE, END OF YEAR	\$ 158,636	\$ 55,538	\$ 480,896	\$ 53,537	\$ 1,488,078	\$ 2,236,685

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds

\$ (84,777)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays
Depreciation expense

\$ 635,663
(337,962)

297,701

The net effect of various transactions involving capital assets (disposal of capital assets and sales) is to decrease net assets.

(67,434)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

139,824

Proceeds of borrowing are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

(23,400)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(10,723)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 251,191

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Proprietary Funds
Statement of Net Assets
December 31, 2004

Business- Type Activities:
Enterprise Funds

	Ambulance Fund	Sewer Fund	Water Fund	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 292,854	\$ 442,270	\$ 735,124
Accounts receivable	625,342	59,850	243,996	929,188
Allowance for uncollectible accounts	(140,000)	-	-	(140,000)
Taxes receivable	-	-	-	-
Prepaid expenses	-	71,052	-	71,052
Other current assets	-	-	-	-
TOTAL CURRENT ASSETS	485,342	423,756	686,266	1,595,364
Noncurrent Assets:				
Investment in Wastewater Treatment Facility	-	2,597,333	-	2,597,333
Investment in Joint Water Authority	-	-	3,507,323	3,507,323
Property, plant and equipment	247,420	14,166,469	3,369,443	17,783,332
Accumulated depreciation	(211,329)	(5,838,503)	(1,719,971)	(7,769,803)
TOTAL NONCURRENT ASSETS	36,091	10,925,299	5,156,795	16,118,185
TOTAL ASSETS	521,433	11,349,055	5,843,061	17,713,549
LIABILITIES				
Current Liabilities:				
Cash overdrafts	94,634	-	-	94,634
Accounts payable	9,525	310	27,368	37,203
Accrued liabilities	-	-	52,500	52,500
Accrued payroll	18,497	1,555	7,032	27,084
Accrued sick and vacation leave	42,743	-	37,312	80,055
Deferred revenue	-	-	-	-
Current portion of long-term debt	-	-	-	-
TOTAL CURRENT LIABILITIES	165,399	1,865	124,212	291,476
Noncurrent Liabilities:				
Revenue bonds payable	-	-	-	-
TOTAL NONCURRENT LIABILITIES	-	-	-	-
TOTAL LIABILITIES	165,399	1,865	124,212	291,476
NET ASSETS				
Invested in capital assets net of related debt	36,091	10,925,299	5,156,794	16,118,184
Net Assets:				
Unrestricted	319,943	421,891	562,055	1,303,889
TOTAL NET ASSETS	\$ 356,034	\$ 11,347,190	\$ 5,718,849	\$ 17,422,073

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2004

Business- Type Activities:				
Enterprise Funds				
	Ambulance Fund	Sewer Fund	Water Fund	Total
OPERATING REVENUES:				
Taxes	\$ -	\$ 422,908	\$ -	\$ 422,908
Federal sources	-	-	-	-
Licenses and permits	-	180	200	380
Charges for services	621,209	713,641	995,646	2,330,496
Other operating revenue	31,000	-	17,004	48,004
TOTAL OPERATING REVENUES	652,209	1,136,729	1,012,850	2,801,788
OPERATING EXPENSES:				
Personal services	555,720	95,272	248,744	899,736
Capital outlay	7,292	-	-	7,292
Contractual services	-	419,251	276,927	696,178
Supplies	26,534	24,517	64,363	115,414
Utilities	5,652	1,117	7,197	13,966
Depreciation	25,791	316,523	80,554	422,868
Payment in lieu of taxes	-	170,000	75,000	245,000
Other expenses	117,611	4,228	8,483	130,322
TOTAL OPERATING EXPENSES	738,600	1,030,908	761,268	2,530,776
OPERATING INCOME (LOSS)	(86,391)	105,821	251,582	271,012
NONOPERATING REVENUES (EXPENSES):				
Interest expense	-	(12,072)	(4,487)	(16,559)
Loss on wastewater facility	-	(109,738)	-	(109,738)
Change in value of investment in joint venture	-	-	-	-
Interest income and rentals	187	1,979	3,168	5,334
TOTAL NONOPERATING REVENUES (EXPENSES)	187	(119,831)	(1,319)	(120,963)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(86,204)	(14,010)	250,263	150,049
Capital contributions	-	1,387,444	-	1,387,444
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
CHANGE IN NET ASSETS	(86,204)	1,373,434	250,263	1,537,493
Net assets, beginning of year	442,238	9,973,756	5,468,586	15,884,580
NET ASSETS, END OF YEAR	\$ 356,034	\$ 11,347,190	\$ 5,718,849	\$ 17,422,073

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2004

	Business-Type Activities Enterprise Funds			
	Ambulance Fund	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from fees and charges for services	\$ 679,531	\$ 1,137,434	\$ 1,012,479	\$ 2,829,444
Other operating revenues	31,000	-	17,004	48,004
Cash payments to employees for services	(551,097)	(94,823)	(259,223)	(905,143)
Cash payments for payroll taxes	(42,513)	(7,288)	(19,029)	(68,830)
Cash payments to suppliers for goods and services	(111,234)	(670,539)	(409,979)	(1,191,752)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,687	364,784	341,252	711,723
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers in (out)	-	-	-	-
Increase in due to other funds	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	(27,952)	-	(27,952)
Interest paid on long-term bonds	-	(18,108)	(6,731)	(24,839)
Principal payment on long-term bonds	-	(197,841)	(69,231)	(267,072)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(243,901)	(75,962)	(319,863)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	187	1,979	3,168	5,334
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	187	1,979	3,168	5,334
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,874	122,862	268,458	397,194
Cash and cash equivalents, beginning of year	(100,508)	169,992	173,812	243,296
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (94,634)	\$ 292,854	\$ 442,270	\$ 640,490
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (86,391)	\$ 105,821	\$ 251,582	\$ 271,012
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	25,791	316,523	80,554	422,868
Change in assets and liabilities:				
(Increase) decrease in accounts receivable, net	58,322	705	16,633	75,660
(Increase) decrease in taxes receivable	-	421,713	-	421,713
(Increase) decrease in due from governmental units	-	-	-	-
(Increase) decrease in due from prepaid expenses	-	(57,966)	-	(57,966)
Increase (decrease) in accounts payable	3,342	(748)	(63)	2,531
Increase (decrease) in customer deposits payable	-	-	3,025	3,025
Increase (decrease) in accrued payroll	1,483	449	1,927	3,859
Increase (decrease) in accrued sick and vacation	3,140	-	(12,406)	(9,266)
Increase (decrease) in deferred revenue	-	(421,713)	-	(421,713)
NET ADJUSTMENTS	92,078	258,963	89,670	440,711
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 5,687	\$ 364,784	\$ 341,252	\$ 711,723

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2004

	Private- Purpose Trust Funds	Pension Trust Fund	Agency Funds
ASSETS			
Cash and equivalents	\$ 12,325	\$ 272,960	\$ 542,282
Investments	-	4,803,661	-
Notes receivables	-	-	-
Taxes receivable	-	64,927	-
Other receivables	-	51,304	-
Due from other governments	-	-	-
Due from other funds	-	106,478	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	12,325	5,299,330	<u><u>\$ 542,282</u></u>
LIABILITIES			
Accounts payable	1,718	-	\$ -
Due to other funds	327	-	267,184
Due to other governmental units	-	-	275,098
Deferred revenues	-	64,927	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	2,045	64,927	<u><u>\$ 542,282</u></u>
NET ASSETS			
Held in trust for pension benefits	-	5,234,403	
Held in trust for individuals, organizations, and other governments	10,280	-	
	<hr/>	<hr/>	
TOTAL NET ASSETS	<u><u>\$ 10,280</u></u>	<u><u>\$ 5,234,403</u></u>	

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Fiduciary Funds
Statement in Changes in Fiduciary Net Assets
For the Year Ended December 31, 2004

	Private- Purpose Trust Funds	Pension Trust Fund
ADDITIONS:		
Contributions:		
Employer	\$ -	\$ 106,478
Employee	-	38,872
Gifts, bequests and endowments	-	-
Total Contributions	<u>-</u>	<u>145,350</u>
Investment Income:		
Net appreciation (depreciation) in fair value of investments	-	304,199
Interest and dividends	<u>124</u>	<u>106,892</u>
Net Investment Income (Loss)	<u>124</u>	<u>411,091</u>
TOTAL ADDITIONS	<u>124</u>	<u>556,441</u>
DEDUCTIONS:		
Benefits and annuity withdrawals	-	247,198
Refunds of contributions	-	8,830
Administrative expense	-	27,595
Payments in accordance with trust agreements	<u>2,088</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>2,088</u>	<u>283,623</u>
CHANGE IN NET ASSETS	<u>(1,964)</u>	<u>272,818</u>
Net assets, beginning of year	<u>12,244</u>	<u>4,961,585</u>
NET ASSETS, END OF YEAR	<u><u>\$ 10,280</u></u>	<u><u>\$ 5,234,403</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF ISHPEMING, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Ishpeming conform to generally accepted accounting principles applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants, except for the maintenance of a general fixed asset group of accounts. The following is a summary of the more significant policies.

REPORTING ENTITY

The City was incorporated in 1873. The City operates under a Council - Manager form of government. As required by generally accepted accounting principles, these financial statements present the City of Ishpeming (the primary government) and its component unit. The component unit discussed in Note B is included in the City's reporting entity because of the significance of its operational and financial relationships with the City.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's sewer, water and ambulance services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- *General Fund* - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- *Capital Projects Funds* - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Permanent Funds* - Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

- *Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fiduciary Funds

Fiduciary funds are used to report the assets held by the City in a trustee capacity or as an agent others and therefor are not available to support the City's programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

Major Funds

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Major Street Fund** accounts for the activities related to receipt of allocated state shared gas and weight taxes to be spent on certain "mile" roads designated as major under contractual agreement with the State of Michigan.
- The **Public Improvement Fund** accounts for the activities related to development and improvement of the City's general capital assets.
- The **TIF District Fund** accounts for the activities related to operation and maintenance of the City's designated tax increment financing district.

The City reports the following major proprietary funds:

- The **Ambulance Fund** accounts for the activities related to operation of City ambulance service and billing for services.
- The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.
- The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer services are accrued as revenue in the Water and Sewer Funds based upon estimated consumption at year-end.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and other are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt, compensated absences and claims and judgments which are generally recognized when payment is due.

FINANCIAL STATEMENT AMOUNTS

Property Taxes

The City bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, and the county. Collections of local school taxes, intermediate school district taxes, and county taxes and remittance of them are accounted for in the Trust and Agency Fund. Property taxes are levied on December 1 based on the taxable value of property. City property tax revenues are recognized when levied to the extent that they result in current receivables.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary fund financial statements. Accumulated depreciation is reported on government-wide and proprietary fund statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Depreciation Life-Years
Buildings, structures, and improvements	30-50 years
Water supply and sewage disposal systems	20-50 years
Vehicles and equipment	5-20 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after January 1, 2004. Infrastructure assets include roads, bridges and traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to January 1, 2004.

Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Not later than August 15, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year commencing January 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than September 30, the budget is adopted by the City Council in accordance with the provisions of the City Charter.
4. The City Council adopts the budget by functional categories. Any transfers of appropriations between functions must be approved by the City Council. All unencumbered and unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
6. The City Council has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Ishpeming because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Inventory

Inventory costs are recorded as expenditures when incurred.

Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Implementation of New Accounting Principles

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB No.34). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include (a) a Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations; and (b) financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (e.g. streets, bridges and sidewalks).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

NOTE B – INDIVIDUAL COMPONENT UNIT DISCLOSURES:

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data for the Downtown Development Authority (DDA). The DDA is reported in a separate column to emphasize that it is legally separate from the City. The purpose of the DDA entity is to foster development of the Downtown Business District.

The presentation of the financial statements of the DDA is complete, and there is no separately issued report for this entity.

In accordance with the provisions of GASB Statement 14, certain other governmental organizations are not considered to be part of the reporting entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of the Ishpeming Housing Commission is not included in the financial statements of the City.

NOTE C – CASH AND EQUIVALENTS:

The composition of cash and equivalents reported on the Statement of Net Assets are as follows:

Cash and cash equivalents:	
Primary government	\$1,418,585
Component unit	301,624
Fiduciary funds	827,567
	<u>827,567</u>
TOTAL REPORTING ENTITY	<u>\$2,547,776</u>
A summary of deposits by type are:	
Cash in demand accounts	\$ 258,151
Cash in savings and time deposits	2,289,005
Petty cash	620
	<u>620</u>
TOTAL DEPOSITS	<u>\$2,547,776</u>

NOTE C – CASH AND EQUIVALENTS (Continued):

At year end, the reporting entity's total cash and equivalents bank balance was \$2,866,076 of which \$210,050 was insured by the Federal Deposit Insurance Corporation (FDIC) regulation number 330.8. The remaining balance of \$2,656,026 was uninsured and uncollateralized. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts:

1. All demand, non-interest bearing accounts in the name of the authorized or statutory custodian of public funds.
2. All savings deposits which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
3. Each book holder is insured pro-rata for the lesser of the amount on deposit in the debt retirement account or \$100,000. Each separate debt issue or debt series is similarly insured.
4. The demand accounts and savings accounts as defined in items 1 and 2 above for those bank accounts in the name of a specific fund when all of the following criteria is applicable.
 - a. The fund is created by a specific State statute.
 - b. The functions of the fund are specified by State statute.
 - c. Money is allocated by State statute for the exclusive use of that fund and statutory function.

Surplus Funds

Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated to two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTE D – INVESTMENTS:

The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. There are three categories of risk that apply to the City's investments:

1. Insured or registered or for which the securities are held by the City or the City's agent in the City's name.
2. Uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or the City's agent in the City's name.
3. Uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in the City's name. Balances held in each category are as follows:

NOTE D – INVESTMENTS (Continued):

	Categories			Market Value
	1	2	3	
Certificates of Deposit	\$270,100	\$ -	\$ -	\$270,100
Money Market	13,304	-	-	13,304
Government Securities	525,929	-	-	525,929
Firemen & Policemen Pension:				
Money Market	-	-	14,727	14,727
Government Securities	-	-	846,703	846,703
Common Stock and Other Equities	-	-	3,138,604	3,138,604
Corporate Bonds	-	-	803,627	803,627
TOTALS	\$809,333	\$ -	\$4,803,661	\$5,612,994

Statutory Authority

Act 196, PA 1997, authorized the City to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the state of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Banker's acceptance of United States banks.
6. Obligations of the state of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The City's investments are in accordance with statutory authority.

Act 314, PA 1965, as amended, authorizes the pension trust to invest in the following categories within certain restrictions.

1. Stocks and mutual funds up to 60% of the system's assets.
2. Investments in the general or separate account of life insurance companies.

NOTE D – INVESTMENTS (Continued):

3. Fixed income securities.
4. Investments in leased real property.
5. Direct investments in property.
6. Investments in real estate loans.
7. Investments in small business or venture capital firms in Michigan.
8. Surplus funds pooled accounts.
9. Bank or trust company collective investment funds.

The City's pension trust investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE E – INTERFUND RECEIVABLES AND PAYABLES:

A summary of the interfund receivables and payables at December 31, 2004 is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General Fund	\$1,340,787	Building Authority	\$143,717
		Library State Aid	3,310
		Trust and Agency	2,393
		Current Tax Collection	264,791
		TIF District	873,339
		Lily Schopp Endowment	327
		Revolving Loan	7,577
		Perpetual Care	40,252
		Cemetery Care	5,081
Subtotal	<u>1,340,787</u>	Subtotal	<u>1,340,787</u>
TIF District	377,437	General Fund	495,532
Revolving Loan	9,817		
Cemetery Care	1,800		
Pension Trust	106,478		
Subtotal	<u>495,532</u>	Subtotal	<u>495,532</u>
Building Authority	150,552	Public Improvement	150,552
Public Improvement	59,126	Building Authority	59,126
TOTALS	<u>\$2,045,997</u>	TOTALS	<u>\$2,045,997</u>

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE F – CAPITAL ASSETS:

A summary of the changes in governmental activities capital assets for the year ended December 31, 2004 is as follows:

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Capital assets not being depreciated:				
Land	\$1,166,101	\$ -	\$ 61,883	\$1,104,218
Construction in progress	-	36,260	-	36,260
Capital assets being depreciated:				
Buildings and improvements	9,295,855	-	-	9,295,855
Equipment and vehicles	3,773,443	179,949	20,263	3,933,129
Infrastructure	-	419,454	-	419,454
Total Capital Assets	<u>14,235,399</u>	<u>635,663</u>	<u>82,146</u>	<u>14,788,916</u>
Less accumulated depreciation:				
Buildings and improvements	7,146,935	62,906	-	7,209,841
Equipment and vehicles	2,691,793	274,618	9,456	2,956,955
Infrastructure	-	438	-	438
Total Accumulated Depreciation	<u>9,838,728</u>	<u>337,962</u>	<u>9,456</u>	<u>10,167,234</u>
CAPITAL ASSETS, NET	<u>\$4,396,671</u>	<u>\$297,701</u>	<u>\$72,690</u>	<u>\$4,621,682</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
Public Safety	\$40,260
Public Works	216,728
Recreation and Culture	44,612
Unallocated	36,362
Total Depreciation Expense- Governmental Activities	<u>\$337,962</u>

A summary of changes in business-type activities capital assets as of December 31, 2004 is as follows:

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Capital assets not being depreciated:				
Land	\$10,888	\$ -	\$ -	\$10,888
Capital assets being depreciated:				
Sewer system and equipment	12,751,074	1,415,395	-	14,166,469
Water plant and equipment	3,358,555	-	-	3,358,555
Ambulance equipment	247,420	-	-	247,420
Total Capital Assets	<u>16,367,937</u>	<u>1,415,395</u>	<u>-</u>	<u>17,783,332</u>
Less accumulated depreciation:				
Sewer system and equipment	5,521,980	316,523	-	5,838,503
Water plant and equipment	1,639,417	80,554	-	1,719,971
Ambulance equipment	185,538	25,791	-	211,329
Total Accumulated Depreciation	<u>7,346,935</u>	<u>422,868</u>	<u>-</u>	<u>7,769,803</u>
CAPITAL ASSETS, NET	<u>\$9,021,002</u>	<u>\$992,527</u>	<u>\$ -</u>	<u>\$10,013,529</u>

NOTE F – CAPITAL ASSETS (Continued):

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-type Activities:	
Sewer system	\$316,523
Water system	80,554
Ambulance equipment	25,791
Total Depreciation Expense-	
Business-type Activities	<u>\$422,868</u>

NOTE G – ACCUMULATED UNPAID VACATION AND SICK LEAVE:

The City accrues the liability for earned sick leave using the vesting method. The liability is accrued as the benefits are earned if it is probable that the City will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year (except the Fire Fighters Union employees who get six twenty-four hour shifts). Upon termination in good standing, retirement, death, or disability, employees or their estates, shall be paid for sick leave accumulated at their current rate of pay as dictated by the respective union contract or employment agreement.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

The current portion of the liability for governmental fund types, and the entire liability for proprietary fund types are reported as part of the accrued expenses in the respective funds. The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Assets. The liability is recorded as follows:

ACCRUED SICK AND VACATION:	
General Fund	\$3,954
Garbage & Rubbish	128
Ambulance	42,743
Water	37,312
Governmental Activities – Long-Term Portion	327,862
TOTAL	<u>\$411,999</u>

NOTE H – DEFERRED REVENUES:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Taxes that were levied on December 1, 2004 have been recorded as deferred revenue for the following funds:

General Fund	\$ 973,941
Public Improvement Fund	324,647
Garbage and Rubbish Fund	194,787
Policemen & Firemen Retirement System	64,927
TOTAL	<u>\$1,558,302</u>

NOTE I – LONG -TERM DEBT:

A summary of long-term obligations at December 31, 2004 and transactions related thereto for the year then ended is as follows:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
BUSINESS TYPE ACTIVITIES:				
Marquette County Refunding Bonds, Limited Tax, Series 1998A. Refunding of long-term capital lease bond issues noted above. Payable semi-annually including interest of per annum. City's share of refunding bonds.	\$ 267,072	\$ -	\$267,072	\$ -
TOTAL BUSINESS TYPE ACTIVITIES	<u>267,072</u>	<u>-</u>	<u>267,072</u>	<u>-</u>
GOVERNMENTAL ACTIVITIES:				
MBIA Revenue Sharing Bonds, Series 1990. Payable semi-annually including interest of 5.85% to 7.05% per annum.	70,000	-	35,000	35,000
Limited Tax General Obligation Building Authority Bonds, Series 2000. Payable semi-annually including interest of 5.125% per annum.	877,000	-	16,000	861,000
Michigan Transportation Fund Bonds, Series 2003. Payable semi-annually including interest of 4.25%.	508,600	23,400	39,000	493,000
Installment payable for Brownfield revitalization. Payable annually beginning May 10, 2004 including interest of 2.25%. Secured by property.	80,000	-	8,824	71,176
Limited Tax General Obligation Building Authority Bonds, Series 2002. Payable semi-annually, including interest of 4.75% per annum.	89,000	-	1,000	88,000
Installment payable for purchase of Public Works equipment. Payable annually including interest of 4.75% per annum. Secured by equipment.	580,000	-	40,000	540,000
SUBTOTAL	<u>2,204,600</u>	<u>23,400</u>	<u>139,824</u>	<u>2,088,176</u>
Accrued compensated absences	317,134	10,728	-	327,862
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,521,734</u>	<u>34,128</u>	<u>139,824</u>	<u>2,416,038</u>
DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT:				
Limited Tax General Obligation Tax Increment Development Bonds, 1994 Series. Payable semi-annually including interest of 4.00% to 6.20% per annum.	1,050,000	-	1,000,000	50,000
General Obligation Limited Tax Development Refunding Bonds, 2004 series. Payable semi-annually including interest of 3.00% to 3.9% per annum.	-	995,000	-	995,000
TOTAL COMPONENT UNIT	<u>1,050,000</u>	<u>995,000</u>	<u>1,000,000</u>	<u>1,045,000</u>
TOTAL REPORTING ENTITY	<u>\$3,838,806</u>	<u>\$1,029,128</u>	<u>\$1,406,896</u>	<u>\$3,461,038</u>

NOTE I – LONG-TERM DEBT (Continued):

The annual principal and interest requirements for the years ending December 31, 2004 and thereafter, excluding accrued compensated absences, are as follows:

	Governmental Activities		Component Unit		Totals	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$147,223	\$94,515	\$75,000	\$35,773	\$222,223	\$130,288
2006	114,386	91,405	90,000	31,162	204,386	122,567
2007	117,552	86,283	100,000	28,312	217,552	114,595
2008	125,722	81,074	105,000	25,237	230,722	106,311
2009	128,895	75,379	120,000	21,787	248,895	97,166
2010-2014	733,398	283,215	555,000	45,828	1,288,398	329,043
2015-2019	165,000	163,667	-	-	165,000	163,667
2020-2024	212,000	116,031	-	-	212,000	116,031
2025-2029	271,000	54,889	-	-	271,000	54,889
2030-2034	73,000	2,912	-	-	73,000	2,912
Totals	\$2,088,176	\$1,049,370	\$1,045,000	\$188,099	\$3,133,176	\$1,237,469

Note: The City is within its legal debt margin as of December 31, 2004.

NOTE J – FUND EQUITY RESERVES AND DESIGNATIONS:

The Garbage & Rubbish Fund has a \$28,878 reserved for payment of the City's 2004 principal portion of the bonds related to its membership in the Marquette County Landfill.

The Permanent Funds have reserved fund balance of \$804,968 for Cemetery Trusts as noted in the City Charter.

NOTE K – LONG-TERM RECEIVABLES:

Loans made to individual businesses in the City by the Revolving Loan Fund are recorded as long-term receivables. The total outstanding amount of loans issued as of December 31, 2004 was \$319,048.

NOTE L – PROPERTY TAXES:

The City of Ishpeming levied 13.3257 mills for the General Fund, 2.6652 mills for the Garbage and Rubbish Fund, 4.4419 mills for the Public Improvement Fund and 0.8884 mills for the Firemen and Policemen Retirement Fund for calendar year 2004. The millage rate is based on each \$1,000.00 of property assessed valuation and the current Taxable Value of the City is \$74,723,508.

NOTE M – OTHER FINANCING SOURCES AND USES:

The transfers between funds for the year ended December 31, 2004 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	\$86,967	Lake Bancroft	\$10,944
		Parking Meter	30,690
		Perpetual Care	40,252
		Cemetery Care	5,081
Subtotal	<u>86,967</u>	Subtotal	<u>86,967</u>

NOTE M – OTHER FINANCING SOURCES AND USES (Continued):

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Street	\$215,519	General Major Streets	\$99,519 116,000
Subtotal	215,519	Subtotal	215,519
Brownfield Revitalization	23,836	General Fund	23,836
Building Authority	59,285	Public Improvement	59,285
TIF District	246,434	Downtown Development Authority	246,434
TOTAL	\$632,041	TOTAL	\$632,041

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

NOTE N – DEFINED BENEFIT PENSION PLAN:

DEFINED BENEFIT PENSION PLANS

Plan Description - The City participates in the Michigan Municipal Employees Retirement System, and agent multiple-employer defined benefit pension plan that covers all employees of the City except for the Policemen and Firemen. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the employees of 5.35% of gross wages for the Clerical Employees' unit and DPW Employees' unit, 9.70% of gross wages for the Supervisory Employees' unit, and 7.51% of gross wages for non-union employees.

Annual Pension Cost - For year ended December 31, 2003 the City's annual pension cost of \$178,864 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability, if any, is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

Three Year Trend Information
Fiscal Year Ended December 31

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Annual Pension Cost	\$113,013	\$123,852	\$178,864
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	5,863,095	6,037,648	6,506,065
Actuarial Accrued Liability (Entry Age)	6,711,156	7,484,306	8,348,589
Unfunded AAL	848,061	1,446,658	1,842,524
Funded ratio	87%	81%	78%
Covered Payroll	1,419,280	1,484,103	1,460,004
UAAL as a Percentage of Covered Payroll	60%	97%	126%

DEFINED BENEFIT PENSION PLAN - POLICEMEN AND FIREMEN

The City of Ishpeming is the administrator of a single-employer public employee retirement system that covers all Police and Fire Department employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unites, and requires a contribution from the employees of 5% of gross wages.

Annual Pension Cost - For year ended December 31, 2003 the City's annual pension cost of \$106,478 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.0 investment rate of return, and (b) projected salary increases of 5.5 percent per year, and (c) 0 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 5.5% - 9.3%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability, if any, is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 11 years.

Three Year Trend Information
Fiscal Year Ended December 31

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Annual Pension Cost	\$50,619	\$85,512	\$106,478
Percentage of APC Contributed	114.7%	70.4%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	5,130,212	5,210,180	5,316,108
Actuarial Accrued Liability (Entry Age)	4,505,994	4,731,566	5,045,974
Unfunded AAL	624,218	478,614	270,135
Funded ratio	120%	110%	105%
Covered Payroll	725,201	841,057	753,650
UAAL as a Percentage of Covered Payroll	- %	- %	- %

NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

Concentration of Investments - The fair value of individual investments that represent 5.0% or more of the Plan's net assets are as follows:

Turner Small Cap Equity Fund Class I – 36960.825 Units	<u>\$563,283</u>
Wells Fargo Large Cap Value Fund – 118,047.029 Units	<u>\$1,269,006</u>

NOTE O – DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all City employees, and it permits them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency. The amounts deferred under the plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. However, the Plan continues to be presented in these financial statements, as the City retains a fiduciary duty of care over the Plan. In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The plan is administered by the Nationwide Retirement Solutions (formerly known as PEBSCO). Nationwide Retirement Solutions, as plan administrator, agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from Nationwide Retirement Solutions or its agents' failure to perform their duties and services pursuant to the Nationwide Retirement Solutions program.

NOTE P – OTHER POST-EMPLOYMENT BENEFITS:

The City provides post-employment health benefits to eligible retirees, terminated employees and their dependents. The benefits are provided in accordance with City ordinances, collective bargaining agreements and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility is defined in the Employer Participation Agreement for the Post-Employment Health Plan for Public Employees. The plan is administered by Nationwide Retirement Solutions. During 2004, expenses of \$41,076 were recognized for post-employment health benefits. Expenses for post-retirement health care benefits are recognized as employer contributions are made to the Plan.

NOTE Q – JOINT VENTURE:

Ishpeming Area Joint Wastewater Treatment Board

The City of Ishpeming and the Township of Ishpeming entered into an agreement on December 10, 1981 for the purpose of creating the Ishpeming Area Joint Wastewater Treatment Board (Board). The Board shall design, construct, operate and maintain a joint wastewater treatment plant and related facilities. Unless otherwise agreed by the City and Township, the Board shall not levy or assess user charges, sewer rates, or fees directly against individual users of the wastewater treatment plant, but shall instead be reimbursed by contract payments from the City and Township. The City and Township shall be responsible for collecting user charges, sewer rates, fees, penalties and the like from their respective residents and users of the system.

NOTE Q – JOINT VENTURE (Continued):

The City utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

A summary of condensed financial information of the Facility, in the aggregate, as of December 31, 2004, is as follows:

Assets	\$7,068,321
Liabilities	179,628
Equity - All local units	6,888,693
Operating Revenues	599,756
Operating Expenses	853,578
Other Income	53,020
Net Income (loss)	(200,802)
City's Share of Net Income (loss)	(134,537)

Marquette County Solid Waste Management Authority

In February 1990, the City of Ishpeming joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structure, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The City's share of assets, liabilities, and fund equity is 10.16 percent. Summary financial information as of and for the fiscal year ended June 30, 2004 is as follows:

Total Assets	\$13,084,748
Total Liabilities	2,136,948
Total Net Assets	10,947,800
Total Operating Revenues	3,157,413
Total Operating Expenses	2,065,094
Total Joint Venture's Outstanding Debt	1,140,000

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

NOTE Q – JOINT VENTURE (Continued):

Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

Negaunee - Ishpeming Water Authority Board

The City of Ishpeming and the City of Negaunee entered into an intergovernmental agreement dated January 7, 1988, and amended on July 31, 1991, for the purpose of creating the Negaunee-Ishpeming Water Authority Board (Board), a corporate public body. The Board is to design, construct, own, operate and maintain a joint municipal water supply system and related facility.

As part of the agreement, the City paid 50% of the preliminary engineering, design engineering, and bidding costs, and 60% of the capital costs. As of December 31, 1999, the latest audited financial statements, the City's equity in the Joint Water Authority Board equals \$3,507,323.

On January 11, 1993, the County of Marquette issued Ishpeming/Negaunee Water Supply System Bonds - 1992 Issue of \$4,660,000 for the purpose of constructing a Water Plant and establishing a new water source for the City of Ishpeming and the City of Negaunee. Under the contract the City of Negaunee is obligated to pay \$2,860,000 over the next 20 years with interest rates ranging from 4.00% to 6.90% and the City of Ishpeming is obligated to pay \$1,800,000 over the next 10 years with interest rates ranging from 4.00% to 6.10%.

The total cost of construction of the project approximates \$7,000,000. The funding sources, in addition to the bond offering, consist of a \$1,000,000 U.S. Economic Development Administration Grant, a \$500,000 Michigan Community Development Block Grant, and \$840,000 in local funds.

NOTE R – CONTINGENT LIABILITIES:

Risk Management - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

Grant Assistance - The City has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City.

NOTE S – EXPENDITURES OVER APPROPRIATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a City shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the General and Special Revenue Funds have been shown on a functional basis.

NOTE S – EXPENDITURES OVER APPROPRIATIONS (Continued):

The approved budgets of the City for the General and Special Revenue Funds were adopted on an activity and/or program level. During the year ended December 31, 2004, the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Final Amended Budget</u>	<u>Expenditures</u>	<u>Variance</u>
General:			
Public Works	\$581,300	\$601,843	\$(20,543)
Special Revenue:			
Major Street	310,500	488,475	(177,975)
TIF District	545,000	632,415	(87,415)
Lake Bancroft	-	360	(360)
Al Quaal	-	2,347	(2,347)
Brownfield Revitalization	17,400	49,904	(32,504)
Building Authority	87,600	100,270	(12,670)

Required Supplementary
Information

City of Ishpeming, Michigan
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,211,000	\$ 1,211,000	\$ 1,177,029	\$ (33,971)
State sources	1,109,800	1,109,800	1,009,117	(100,683)
Local sources	26,100	26,100	2,642	(23,458)
Licenses and permits	55,300	55,300	50,550	(4,750)
Charges for services	85,360	85,360	81,850	(3,510)
Interest income and rentals	314,000	314,000	313,147	(853)
Contributions	3,000	3,000	3,130	130
Fines and forfeitures	47,500	47,500	57,396	9,896
Other revenues	106,000	106,000	72,503	(33,497)
TOTAL REVENUES	2,958,060	2,958,060	2,767,364	(190,696)
EXPENDITURES:				
Current operations:				
Legislative	29,200	29,200	26,834	2,366
General government	2,035,767	2,045,767	1,303,081	742,686
Public safety	741,000	741,000	646,725	94,275
Public works	573,800	581,300	604,843	(23,543)
Recreation and culture	277,200	277,200	239,767	37,433
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	3,656,967	3,674,467	2,821,250	853,217
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(698,907)	(716,407)	(53,886)	662,521
OTHER FINANCING SOURCES (USES):				
Transfers in	370,500	370,500	86,967	(283,533)
Transfers (out)	-	-	(123,355)	(123,355)
TOTAL OTHER FINANCING SOURCES (USES)	370,500	370,500	(36,388)	(406,888)
CHANGE IN FUND BALANCE	(328,407)	(345,907)	(90,274)	255,633
Fund balance, beginning of year	248,910	248,910	248,910	-
FUND BALANCE, END OF YEAR	\$ (79,497)	\$ (96,997)	\$ 158,636	\$ 255,633

City of Ishpeming, Michigan
Major Special Revenue Funds
Budgetary Comparison Schedule
For the Year Ended December 31, 2004

	MAJOR STREET FUND				PUBLIC IMPROVEMENT FUND				TIF DISTRICT FUND			
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES:												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 335,900	\$ 335,900	\$ 313,065	\$ (22,835)	\$ 141,000	\$ 141,000	\$ 256,050	\$ 115,050
Federal sources	-	-	-	-	-	-	-	-	-	-	-	-
State sources	423,300	423,300	464,184	40,884	-	-	1,000	1,000	-	-	-	-
Interest income and rentals	-	-	1,035	1,035	2,000	2,000	3,370	1,370	500	500	211	(289)
Contributions	-	-	-	-	110,000	110,000	110,000	-	13,000	13,000	12,860	(140)
Other revenue	-	-	-	-	165,000	165,000	187,795	22,795	-	-	1,750	1,750
TOTAL REVENUES	423,300	423,300	465,219	41,919	612,900	612,900	615,230	2,330	154,500	154,500	270,871	116,371
EXPENDITURES:												
Current operations:												
Public works	310,500	310,500	457,903	(147,403)	-	-	-	-	500,000	545,000	612,936	(67,936)
Other governmental	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:												
Principal	-	-	18,330	(18,330)	50,000	50,000	40,000	10,000	-	-	15,210	(15,210)
Interest and fiscal charges	-	-	12,242	(12,242)	50,000	50,000	29,664	20,336	-	-	4,269	(4,269)
Capital outlay	-	-	-	-	277,000	477,185	338,000	139,185	-	-	-	-
TOTAL EXPENDITURES	310,500	310,500	488,475	(177,975)	377,000	577,185	407,664	169,521	500,000	545,000	632,415	(87,415)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	112,800	112,800	(23,256)	(136,056)	235,900	35,715	207,566	171,851	(345,500)	(390,500)	(361,544)	28,956
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (out)	(158,000)	(158,000)	(116,000)	42,000	(170,000)	(170,000)	(59,285)	110,715	350,000	350,000	246,434	(103,566)
TOTAL OTHER FINANCING SOURCES (USES)	(158,000)	(158,000)	(116,000)	42,000	(170,000)	(170,000)	(59,285)	110,715	350,000	350,000	246,434	(103,566)
CHANGE IN FUND BALANCE	(45,200)	(45,200)	(139,256)	(94,056)	65,900	(134,285)	148,281	282,566	4,500	(40,500)	(115,110)	(74,610)
Fund balance, beginning of year	194,794	194,794	194,794	-	332,615	332,615	332,615	-	168,647	168,647	168,647	-
FUND BALANCE, END OF YEAR	\$ 149,594	\$ 149,594	\$ 55,538	\$ (94,056)	\$ 398,515	\$ 198,330	\$ 480,896	\$ 282,566	\$ 173,147	\$ 128,147	\$ 53,537	\$ (74,610)

OTHER FINANCIAL
INFORMATION

City of Ishpeming, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Legislative, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The MAJOR STREET FUND, PUBLIC IMPROVEMENT FUND and TIF DISTRICT FUND are Major Special Revenue Fund types.

City of Ishpeming
General Fund
Balance Sheet
December 31, 2004
With Comparative Actual Amounts at December 31, 2003

	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash and equivalents	\$ -	\$ -
Investments	15,000	15,000
Accounts receivable	282,784	431,506
Taxes receivable	519,451	517,144
Due from others	215,965	19,028
Due from other funds	1,340,787	836,889
Prepaid expenses	<u>143,010</u>	<u>96,018</u>
TOTAL ASSETS \$	<u>2,516,997</u>	<u>\$ 1,915,585</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Cash Overdraft	\$ 719,173	\$ 590,814
Accounts payable	85,482	58,934
Accrued payroll	72,019	62,035
Accrued sick and vacation	3,954	6,525
Accrued liabilities	8,260	7,862
Due to other funds	495,532	3,900
Deferred revenue	<u>973,941</u>	<u>936,605</u>
TOTAL LIABILITIES	<u>2,358,361</u>	<u>1,666,675</u>
FUND BALANCE:		
Unreserved	<u>158,636</u>	<u>248,910</u>
TOTAL LIABILITIES AND FUND BALANCE \$	<u>2,516,997</u>	<u>\$ 1,915,585</u>

City of Ishpeming
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	
	Amended		Positive	2003
	Budget	Actual	(Negative)	Actual
REVENUES:				
Taxes	\$ 1,211,000	\$ 1,177,029	\$ (33,971)	\$ 1,150,650
State sources	1,109,800	1,009,117	(100,683)	1,267,495
Local sources	26,100	2,642	(23,458)	51,901
Licenses and permits	55,300	50,550	(4,750)	47,724
Charges for services	85,360	81,850	(3,510)	85,381
Interest & rentals	314,000	313,147	(853)	260,836
Contributions	3,000	3,130	130	3,130
Fines and forfeitures	47,500	57,396	9,896	49,959
Other revenue	106,000	72,503	(33,497)	21,388
TOTAL REVENUES	2,958,060	2,767,364	(190,696)	2,938,464
EXPENDITURES:				
Legislative:				
City council	29,200	26,834	2,366	22,736
General Government:				
City manager	100,000	93,872	6,128	95,688
Elections	9,250	7,984	1,266	92
City assessor	54,200	50,356	3,844	48,840
City attorney	39,400	41,348	(1,948)	30,953
City clerk	48,200	44,625	3,575	42,363
Board of review	2,000	1,323	677	1,104
City treasurer	52,300	46,043	6,257	44,858
City hall and grounds	43,600	35,425	8,175	38,433
Cemetery	146,200	142,645	3,555	147,062
Non-departmental:				
Employee benefits	1,354,617	659,399	695,218	1,303,947
Insurance & bonds	100,000	95,515	4,485	89,249
Other services & charges	96,000	84,546	11,454	60,704
Total General Government	2,045,767	1,303,081	742,686	1,903,293
Public safety:				
Police	641,400	546,375	95,025	629,150
Fire	98,200	99,065	(865)	97,045
Planning commission	800	820	(20)	986
Zoning board of appeals	600	465	135	413
Total Public Safety	741,000	646,725	94,275	727,594

City of Ishpeming
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	
	Amended		Positive	2003
	Budget	Actual	(Negative)	Actual
EXPENDITURES (continued):				
Public Works:				
Administration	\$ 178,600	\$ 206,234	\$ (27,634)	\$ 204,505
Equipment maintenance	228,000	209,577	18,423	143,521
Alleys and sidewalks	27,000	39,359	(12,359)	35,769
Street trees	6,200	6,277	(77)	11,550
City engineer	61,500	42,374	19,126	57,125
Street lighting	80,000	101,022	(21,022)	91,867
Total Public Works	581,300	604,843	(23,543)	544,337
Recreation and Culture:				
Administration	4,600	4,393	207	4,743
Playlots	7,800	3,037	4,763	3,770
Al quaal	80,400	76,414	3,986	99,309
Teal lake beach	5,300	537	4,763	2,407
Ice rink	4,100	-	4,100	2,879
Playground maintenance	71,400	50,261	21,139	74,456
Library	103,600	105,125	(1,525)	119,245
Total Recreation and Culture	277,200	239,767	37,433	306,809
TOTAL EXPENDITURES	3,674,467	2,821,250	853,217	3,504,769
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(716,407)	(53,886)	662,521	(566,305)
OTHER FINANCING SOURCES (USES):				
Transfers in	370,500	86,967	(283,533)	393,716
Transfers (out)	-	(123,355)	(123,355)	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	370,500	(36,388)	(406,888)	193,716
CHANGE IN FUND BALANCE	(345,907)	(90,274)	255,633	(372,589)
Fund balance, beginning of year	248,910	248,910	-	621,499
FUND BALANCE, END OF YEAR \$	(96,997) \$	158,636 \$	(255,633) \$	248,910

City of Ishpeming
Major Streets Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	2003
	Final		Final Budget	
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
REVENUES:				
Federal sources	\$ -	\$ -	\$ -	\$ 508,600
State sources	423,300	464,184	40,884	435,077
Interest and rentals	-	1,035	1,035	186
TOTAL REVENUES	423,300	465,219	41,919	943,863
EXPENDITURES:				
Construction	-	1,423	(1,423)	495,287
Routine maintenance	50,000	52,383	(2,383)	38,345
Traffic service	12,100	7,559	4,541	7,774
Winter maintenance	195,000	277,141	(82,141)	173,764
Administration	16,100	76,714	(60,614)	12,836
State trunkline maintenance	37,300	42,683	(5,383)	29,436
Debt service:				
Principal	-	18,330	(18,330)	-
Interest	-	12,242	(12,242)	-
TOTAL EXPENDITURES	310,500	488,475	(177,975)	757,442
REVENUES OVER (UNDER) EXPENDITURES	112,800	(23,256)	(136,056)	186,421
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(158,000)	(116,000)	(42,000)	(28,379)
CHANGE IN FUND BALANCE	(45,200)	(139,256)	(94,056)	158,042
Fund balance, beginning of year	194,794	194,794	-	36,752
FUND BALANCE, END OF YEAR	\$ 149,594	\$ 55,538	\$ 94,056	\$ 194,794

City of Ishpeming
Public Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	2003
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
REVENUES:				
Taxes	\$ 335,900	\$ 313,065	\$ (22,835)	\$ 306,797
State sources	-	1,000	1,000	1,310
Interest and rentals	2,000	3,370	1,370	586
Contributions	110,000	110,000	-	78,506
Other revenue	165,000	187,795	22,795	141,248
TOTAL REVENUES	612,900	615,230	2,330	528,447
EXPENDITURES:				
Capital Outlay:				
City assessor	1,500	-	1,500	-
City clerk	-	-	-	7,617
City treasurer	2,000	2,000	-	995
Cemetery	10,200	10,173	27	5,881
Police	48,400	44,395	4,005	57,306
Fire	79,085	28,229	50,856	10,991
Public works	179,000	203,907	(24,907)	404,144
Parks	6,000	4,820	1,180	1,470
Playlots	10,000	8,459	1,541	-
Al Quaal	7,000	2,769	4,231	1,085
Library	24,000	23,403	597	12,158
Contracted services	110,000	9,845	100,155	1,474
Total Capital Outlay	477,185	338,000	139,185	503,121
Debt Service:				
Principal	50,000	40,000	10,000	40,000
Interest	50,000	29,664	20,336	29,451
TOTAL EXPENDITURES	577,185	407,664	169,521	572,572
REVENUES OVER (UNDER) EXPENDITURES	35,715	207,566	171,851	(44,125)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	220,000
Transfers (out)	(170,000)	(59,285)	110,715	(179,554)
TOTAL OTHER FINANCING SOURCES (USES)	(170,000)	(59,285)	(110,715)	40,446
CHANGE IN FUND BALANCE	(134,285)	148,281	(282,566)	(3,679)
Fund balance, beginning of year	332,615	332,615	-	336,294
FUND BALANCE, END OF YEAR	\$ 198,330	\$ 480,896	\$ (282,566)	\$ 332,615

City of Ishpeming
TIF District Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	
	Amended		Positive	2003
	Budget	Actual	(Negative)	Actual
REVENUES:				
Federal sources	141,000	256,050	115,050	107,377
State sources	-	-	-	3,000
Interest and rentals	500	211	(289)	234
Contributions	13,000	12,860	(140)	10,750
Other revenue	-	1,750	1,750	-
TOTAL REVENUES	154,500	270,871	116,371	121,361
EXPENDITURES:				
Debt service:				
Principal	-	15,210	(15,210)	-
Interest	-	4,269	(4,269)	-
Other governmental	545,000	612,936	(67,936)	306,983
TOTAL EXPENDITURES	545,000	632,415	(87,415)	306,983
REVENUES OVER (UNDER) EXPENDITURES	(390,500)	(361,544)	28,956	(185,622)
OTHER FINANCING SOURCES (USES):				
Transfers in	350,000	246,434	(103,566)	246,280
CHANGE IN FUND BALANCE	(40,500)	(115,110)	(74,610)	60,658
Fund balance, beginning of year	168,647	168,647	-	107,989
FUND BALANCE, END OF YEAR	\$ 128,147	\$ 53,537	\$ (74,610)	\$ 168,647

City of Ishpeming, Michigan

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The LOCAL STREETS FUND, LAKE BANCROFT FUND, D.A.R.E. FUND, LIBRARY STATE AID FUND, AL QUAAL FUND, PARKING METER FUND, GARBAGE & RUBBISH FUND, BROWNFIELD REVITALIZAITON FUND, REVOLVING LOAN FUND and BUILDING AUTHORITY FUND, are Nonmajor Special Revenue Fund types.

PERMANENT FUNDS

The function of the Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions. The PERPETUAL CARE FUND and CEMETERY CARE FUND are Permanent Fund types.

City of Ishpeming, Michigan
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2004

	Special Revenue Funds	Permanent Funds			Total Nonmajor Governmental Funds
		Perpetual Care Fund	Cemetery Care Fund	Total	
ASSETS					
Cash and cash equivalents	\$ 418,671	\$ 51,742	\$ 15,730	\$ 67,472	\$ 486,143
Investments	-	690,053	90,976	781,029	781,029
Accounts receivable, net	20,716	-	-	-	20,716
Taxes receivable	194,787	-	-	-	194,787
Due from other governments	22,826	-	-	-	22,826
Due from other funds	160,369	-	1,800	1,800	162,169
Notes receivable	319,048	-	-	-	319,048
TOTAL ASSETS	\$ 1,136,417	\$ 741,795	\$ 108,506	\$ 850,301	\$ 1,986,718

LIABILITIES AND FUND BALANCE

LIABILITIES:					
Cash overdrafts	\$ 14,648	\$ -	\$ -	\$ -	\$ 14,648
Accounts payable	21,561	-	-	-	21,561
Accrued payroll	8,453	-	-	-	8,453
Accrued sick and vacation	128	-	-	-	128
Due to other funds	213,730	40,252	5,081	45,333	259,063
Deferred revenue	194,787	-	-	-	194,787
TOTAL LIABILITIES	453,307	40,252	5,081	45,333	498,640
FUND BALANCE:					
Reserved for:					
Cemetery Trust	-	701,543	103,425	804,968	804,968
Special Projects	28,878	-	-	-	28,878
Unreserved, reported in:					
Special revenue funds	654,232	-	-	-	654,232
TOTAL FUND BALANCE	683,110	701,543	103,425	804,968	1,488,078
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,136,417	\$ 741,795	\$ 108,506	\$ 850,301	\$ 1,986,718

City of Ishpeming, Michigan
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2004

	Special Revenue Funds	Perpetual Care Fund	Cemetery Care Fund	Total	Total Nonmajor Governmental Funds
REVENUES:					
Taxes	\$ 187,838	-	\$ -	-	\$ 187,838
Federal sources	23,400	-	-	-	23,400
State sources	235,014	-	-	-	235,014
Charges for services	232,460	19,600	6,900	26,500	258,960
Interest income and rentals	11,078	40,252	5,080	45,332	56,410
Contributions	68,345	-	-	-	68,345
Fines and forfeitures	10,455	-	-	-	10,455
Other revenues	72,878	-	-	-	72,878
TOTAL REVENUES	841,468	59,852	11,980	71,832	913,300
EXPENDITURES:					
Current operations:					
Public safety	1,051	-	-	-	1,051
Public works	767,794	-	-	-	767,794
Recreation and culture	13,665	-	-	-	13,665
Other governmental	77,714	-	-	-	77,714
Debt service:					
Principal	66,284	-	-	-	66,284
Interest and fiscal charges	48,182	-	-	-	48,182
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	974,690	-	-	-	974,690
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(133,222)	59,852	11,980	71,832	(61,390)
OTHER FINANCING SOURCES (USES):					
Investment in landfill	(38,701)	-	-	-	(38,701)
Transfers in	298,640	-	-	-	298,640
Transfers (out)	(41,634)	(40,252)	(5,081)	(45,333)	(86,967)
TOTAL OTHER FINANCING SOURCES (USES)	218,305	(40,252)	(5,081)	(45,333)	172,972
CHANGE IN FUND BALANCE	85,083	19,600	6,899		111,582
Fund balance, beginning of year	598,027	681,943	96,526	778,469	1,376,496
FUND BALANCE, END OF YEAR	\$ 683,110	\$ 701,543	\$ 103,425	\$ 778,469	\$ 1,488,078

City of Ishpeming, Michigan
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2004

ASSETS	Local Streets Fund	Lake Bancroft Fund	D.A.R.E. Fund	Library State Aid Fund	Al Quaal Fund	Parking Meter Fund	Garbage & Rubbish Fund	Brownfield Revitalization Fund	Revolving Loan Fund	Building Authority Fund	Total
Cash and cash equivalents	\$ -	\$ -	\$ 7,402	\$ 49,498	\$ 85,059	\$ -	\$ 61,738	\$ -	\$ 162,683	\$ 52,291	\$ 418,671
Accounts receivable, net	-	-	-	-	-	-	20,716	-	-	-	20,716
Taxes receivable	-	-	-	-	-	-	194,787	-	-	-	194,787
Due from other governments	22,426	-	-	-	-	-	-	-	400	-	22,826
Due from other funds	-	-	-	-	-	-	-	-	9,817	150,552	160,369
Notes receivable	-	-	-	-	-	-	-	-	319,048	-	319,048
TOTAL ASSETS	\$ 22,426	\$ -	\$ 7,402	\$ 49,498	\$ 85,059	\$ -	\$ 277,241	\$ -	\$ 491,948	\$ 202,843	\$ 1,136,417

LIABILITIES AND FUND BALANCE

LIABILITIES:											
Cash overdrafts	\$ 14,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,648
Accounts payable	690	-	-	-	-	-	20,871	-	-	-	21,561
Accrued payroll	7,088	-	-	-	-	-	1,365	-	-	-	8,453
Accrued sick and vacation	-	-	-	-	-	-	128	-	-	-	128
Due to other funds	-	-	-	-	-	-	-	-	7,577	202,843	213,730
Deferred revenue	-	-	-	-	-	-	194,787	-	-	-	194,787
TOTAL LIABILITIES	22,426	-	-	3,310	-	-	217,151	-	7,577	202,843	453,307
FUND BALANCE:											
Reserved for special projects	-	-	-	-	-	-	28,878	-	-	-	28,878
Unreserved	-	-	7,402	46,188	85,059	-	31,212	-	484,371	-	654,232
TOTAL FUND BALANCE	-	-	7,402	46,188	85,059	-	60,090	-	484,371	-	683,110
TOTAL LIABILITIES AND FUND BALANCE	\$ 22,426	\$ -	\$ 7,402	\$ 49,498	\$ 85,059	\$ -	\$ 277,241	\$ -	\$ 491,948	\$ 202,843	\$ 1,136,417

City of Ishpeming, Michigan
 Normajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2004

	Local Streets Fund	Lake Bancroft Fund	D.A.R.E. Fund	Library State Aid Fund	At Qual Fund	Parking Meter Fund	Garbage & Rubbish Fund	Brownfield Revitalization Fund	Economic Development Corporation Fund	Revolving Loan Fund	Building Authority Fund	Total
REVENUES:												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,838	\$ -	\$ -	\$ -	\$ -	\$ 187,838
Federal sources	-	-	-	-	-	-	-	-	-	-	23,400	23,400
State sources	220,801	-	-	14,213	-	-	-	-	-	-	-	235,014
Charges for services	-	-	-	-	-	-	232,460	-	-	-	-	232,460
Interest and rentals	-	65	45	693	416	171	465	42	-	9,181	-	11,078
Contributions	-	730	30	-	50,000	-	-	-	-	-	17,585	68,345
Fines and forfeitures	-	-	-	-	-	10,455	-	-	-	-	-	10,455
Other revenue	-	-	-	-	-	1,421	3,720	-	-	67,737	-	72,878
TOTAL REVENUES	220,801	795	75	14,906	50,416	12,047	424,483	42	-	76,918	40,985	841,468
EXPENDITURES:												
Current operations:												
Public safety	-	-	805	-	-	246	-	-	-	-	-	1,051
Public works	429,328	-	-	-	-	-	338,466	-	-	-	-	767,794
Recreation and culture	-	360	-	-	2,347	-	-	-	-	-	-	13,665
Other governmental	-	-	-	10,958	-	-	-	41,080	-	14	36,620	77,714
Debt service:												
Principal	5,460	-	-	-	-	-	35,000	8,824	-	-	17,000	66,284
Interest and fiscal charges	1,532	-	-	-	-	-	-	-	-	-	46,650	48,182
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	436,320	360	805	10,958	2,347	246	373,466	49,904	-	14	100,270	974,690
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(215,519)	435	(730)	3,948	48,069	11,801	51,017	(49,862)	-	76,904	(59,285)	(133,222)
OTHER FINANCING SOURCES:												
Investment in landfill	-	-	-	-	-	-	(38,701)	-	-	-	-	(38,701)
Transfers in	215,519	-	-	-	-	-	-	23,836	-	-	59,285	298,640
Transfers (out)	-	(10,944)	-	-	-	(30,690)	-	-	-	-	-	(41,634)
TOTAL OTHER FINANCING SOURCES (USES)	215,519	(10,944)	-	-	-	(30,690)	(38,701)	23,836	-	-	59,285	218,305
CHANGE IN FUND BALANCE	-	(10,509)	(730)	3,948	48,069	(18,889)	12,316	(26,026)	-	76,904	-	85,083
Fund balance, beginning of year	-	10,509	8,132	42,240	36,990	18,889	47,774	26,026	-	407,467	-	598,027
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 7,402	\$ 46,188	\$ 85,069	\$ -	\$ 60,090	\$ -	\$ -	\$ 484,371	\$ -	\$ 683,110

City of Ishpeming
Local Streets Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	2003
	Final		Final Budget	
	Amended		Positive	2003
	Budget	Actual	(Negative)	Actual
REVENUES:				
State sources	\$ 195,000	\$ 220,801	\$ 25,801	\$ 246,490
TOTAL REVENUES	195,000	220,801	25,801	246,490
EXPENDITURES:				
Construction	100,000	40,299	59,701	23,617
Routine maintenance	114,000	101,340	12,660	68,114
Traffic service	16,000	11,692	4,308	9,578
Winter maintenance	208,000	204,448	3,552	160,183
Administration	15,000	71,549	(56,549)	13,377
Debt service:				
Principal	-	5,460	(5,460)	-
Interest	-	1,532	(1,532)	-
TOTAL EXPENDITURES	453,000	436,320	16,680	274,869
REVENUES OVER (UNDER) EXPENDITURES	(258,000)	(215,519)	42,481	(28,379)
OTHER FINANCING SOURCES (USES):				
Transfers in	258,000	215,519	(42,481)	28,379
CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

City of Ishpeming
Lake Bancroft Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	
	Amended		Positive	2003
	Budget	Actual	(Negative)	Actual
REVENUES:				
Interest and rentals	\$ -	\$ 65	\$ 65	\$ 38
Contributions	100	730	630	905
TOTAL REVENUES	100	795	695	943
EXPENDITURES:				
Recreation and culture	-	360	(360)	280
TOTAL EXPENDITURES	-	360	(360)	280
REVENUES OVER (UNDER) EXPENDITURES	100	435	335	663
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(10,944)	(10,944)	-
CHANGE IN FUND BALANCE	100	(10,509)	10,609	663
Fund balance, beginning of year	10,509	10,509	-	9,846
FUND BALANCE, END OF YEAR	\$ 10,609	\$ -	\$ 10,609	\$ 10,509

City of Ishpeming
D.A.R.E. Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>2004</u>		Variance with	
	Final		Final Budget	
	Amended		Positive	2003
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Actual</u>
REVENUES:				
Interest and rentals	\$ 100	\$ 45	\$ (55)	\$ 28
Contributions	<u>2,500</u>	<u>30</u>	<u>(2,470)</u>	<u>2,765</u>
TOTAL REVENUES	<u>2,600</u>	<u>75</u>	<u>(2,525)</u>	<u>2,793</u>
EXPENDITURES:				
Public safety	<u>2,500</u>	<u>805</u>	<u>1,695</u>	<u>2,041</u>
TOTAL EXPENDITURES	<u>2,500</u>	<u>805</u>	<u>1,695</u>	<u>2,041</u>
CHANGE IN FUND BALANCE	100	(730)	(830)	752
Fund balance, beginning of year	<u>8,132</u>	<u>8,132</u>	<u>-</u>	<u>7,380</u>
FUND BALANCE, END OF YEAR	<u>\$ 8,232</u>	<u>\$ 7,402</u>	<u>\$ 830</u>	<u>\$ 8,132</u>

City of Ishpeming
Library State Aid Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	2003
	Amended	Actual	Positive	Actual
	Budget		(Negative)	
REVENUES:				
State sources	\$ 12,000	\$ 14,213	\$ 2,213	\$ 11,528
Interest and rentals	1,500	693	(807)	850
TOTAL REVENUES	13,500	14,906	1,406	12,378
EXPENDITURES:				
Recreation and culture	16,704	10,958	5,746	30,767
TOTAL EXPENDITURES	16,704	10,958	5,746	30,767
CHANGE IN FUND BALANCE	(3,204)	3,948	7,152	(18,389)
Fund balance, beginning of year	42,240	42,240	-	60,629
FUND BALANCE, END OF YEAR	\$ 39,036	\$ 46,188	\$ (7,152)	\$ 42,240

City of Ishpeming
Al Quaal Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	
	Amended		Positive	2003
	Budget	Actual	(Negative)	Actual
REVENUES:				
Charges for services	\$	- \$	- \$	-
State sources	-	-	-	-
Interest and rentals	-	416	416	85
Contributions	50,000	50,000	-	50,000
Other revenue	-	-	-	-
TOTAL REVENUES	50,000	50,416	416	50,085
EXPENDITURES:				
Recreation and culture	-	2,347	(2,347)	13,095
TOTAL EXPENDITURES	-	2,347	(2,347)	13,095
REVENUES OVER (UNDER) EXPENDITURES	50,000	48,069	(1,931)	36,990
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
CHANGES IN FUND BALANCE	50,000	48,069	(1,931)	36,990
Fund balance, beginning of year	36,990	36,990	-	-
FUND BALANCE, END OF YEAR	\$ 86,990	\$ 85,059	\$ 1,931	\$ 36,990

City of Ishpeming
Parking Meter Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with Final Budget	2003
	Final Amended Budget	Actual	Positive (Negative)	Actual
REVENUES:				
Interest and rentals	\$ 500	\$ 171	\$ (329)	\$ 57
Fines and forfeitures	10,000	10,455	455	7,725
Other revenue	2,000	1,421	(579)	1,778
TOTAL REVENUES	12,500	12,047	(453)	9,560
EXPENDITURES:				
Public safety	2,500	246	2,254	269
TOTAL EXPENDITURES	2,500	246	2,254	269
REVENUES OVER (UNDER) EXPENDITURES	10,000	11,801	1,801	9,291
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(20,000)	(30,690)	(10690)	-
CHANGE IN FUND BALANCE	(10,000)	(18,889)	(8,889)	9,291
Fund balance, beginning of year	18,889	18,889	-	9,598
FUND BALANCE, END OF YEAR	\$ 8,889	\$ -	\$ 8,889	\$ 18,889

City of Ishpeming
Garbage and Rubbish Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	
	Amended		Positive	2003
	Budget	Actual	(Negative)	Actual
REVENUES:				
Taxes	\$ 201,500	\$ 187,838	\$ (13,662)	\$ 184,069
Charges for services	220,000	232,460	12,460	222,484
Interest and rentals	100	465	365	121
Other revenue	7,000	3,720	(3,280)	946
TOTAL REVENUES	428,600	424,483	(4,117)	407,620
EXPENDITURES:				
Public works	388,700	373,466	15,234	352,732
TOTAL EXPENDITURES	388,700	373,466	15,234	352,732
REVENUES OVER (UNDER) EXPENDITURES	39,900	51,017	11,117	54,888
OTHER FINANCING SOURCES (USES):				
Investment in landfill	(57,900)	(38,701)	19,199	(35,992)
Transfers in	80,000	-	(80,000)	-
Transfers (out)	(30,000)	-	30,000	-
CHANGE IN FUND BALANCE	32,000	12,316	(19,684)	18,896
Fund balance, beginning of year	47,774	47,774	-	28,878
FUND BALANCE, END OF YEAR	\$ 79,774	\$ 60,090	\$ 19,684	\$ 47,774

City of Ishpeming
Brownfield Revitalization Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004			
	Final Amended Budget	Actual	Variance Favorable (Unfavorable)	2003 Actual
REVENUES:				
State sources	\$ -	\$ -	\$ -	-
Interest and rentals	-	42	42	68
Other revenue	-	-	-	6,780
TOTAL REVENUES	-	42	42	6,848
EXPENDITURES:				
Other governmental	8,500	41,080	(32,580)	5,360
Debt service:				
Principal	8,900	8,824	76	-
Interest	-	-	-	-
TOTAL EXPENDITURES	17,400	49,904	(32,504)	5,360
REVENUES OVER (UNDER) EXPENDITURES	(17,400)	(49,862)	(32,462)	1,488
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	23,836	23,836	-
CHANGE IN FUND BALANCE	(17,400)	(26,026)	8,626	1,488
Fund balance, beginning of year	26,026	26,026	-	24,538
FUND BALANCE, END OF YEAR	\$ 8,626	\$ -	\$ 8,626	\$ 26,026

City of Ishpeming
 Economic Development Corporation Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2004
 With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	
	Amended		Positive	2003
	Budget	Actual	(Negative)	Actual
REVENUES:				
Interest and rentals	\$ -	\$ -	\$ -	\$ 48
TOTAL REVENUES	-	-	-	48
OTHER FINANCING SOURCES (USES):				
Transfers (out)	-	-	-	48
CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

City of Ishpeming
Revolving Loan Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	2003
	Amended	Actual	Positive	Actual
	Budget		(Negative)	
REVENUES:				
Interest and rentals	\$ 10,000	\$ 9,181	\$ (819)	\$ 10,835
Other revenue	-	67,737	67,737	11,828
TOTAL REVENUES	10,000	76,918	66,918	22,663
EXPENDITURES:				
Other governmental	-	14	(14)	-
TOTAL EXPENDITURES	-	14	(14)	-
REVENUES OVER (UNDER) EXPENDITURES	10,000	76,904	66,904	22,663
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	48
Transfers (out)	-	-	-	(220,000)
CHANGE IN FUND BALANCE	10,000	76,904	(66,904)	(197,289)
Fund balance, beginning of year	407,467	407,467	-	604,756
FUND BALANCE, END OF YEAR	\$ 417,467	\$ 484,371	\$ (66,904)	\$ 407,467

City of Ishpeming
Building Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	
	Final		Final Budget	
	Amended		Positive	2003
	Budget	Actual	(Negative)	Actual
REVENUES:				
Federal sources	\$ -	\$ 23,400	\$ 23,400	\$ 38,400
Contributions	-	17,585	17,585	-
TOTAL REVENUES	-	40,985	40,985	38,400
EXPENDITURES:				
Other governmental	22,000	36,620	(14,620)	47,400
Debt service:				
Principal	17,000	17,000	-	16,000
Interest	48,600	46,650	1,950	48,682
TOTAL EXPENDITURES	87,600	100,270	(12,670)	112,082
REVENUES OVER (UNDER) EXPENDITURES	(87,600)	(59,285)	28,315	(73,682)
OTHER FINANCING SOURCES (USES):				
Transfers in	90,000	59,285	(30,715)	73,682
CHANGE IN FUND BALANCE	2,400	-	2,400	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ 2,400	\$ -	\$ 2,400	\$ -

City of Ishpeming
Al Quaal Infrastructure Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004		Variance with	2003
	Final Amended Budget	Actual	Final Budget Positive (Negative)	Actual
REVENUES:				
State sources	\$ -	\$ -	\$ -	\$ -
Interest and rentals	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES:				
Recreation and culture	-	-	-	105,872
TOTAL EXPENDITURES	-	-	-	105,872
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(105,872)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	105,872
CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR \$	\$ -	\$ -	\$ -	\$ -

City Of Ishpeming, Michigan

ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of the City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

City of Ishpeming, Michigan
Ambulance Fund
Statement of Net Assets
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	625,342	683,664
Allowance for uncollectible accounts	(140,000)	(140,000)
Other current assets	-	-
	<u>-</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>485,342</u>	<u>543,664</u>
Noncurrent Assets:		
Property, plant and equipment	247,420	247,420
Accumulated depreciation	(211,329)	(185,538)
	<u>36,091</u>	<u>61,882</u>
TOTAL NONCURRENT ASSETS	<u>36,091</u>	<u>61,882</u>
TOTAL ASSETS	<u>521,433</u>	<u>605,546</u>
LIABILITIES		
Current Liabilities:		
Cash overdrafts	94,634	100,508
Accounts payable	9,525	6,183
Accrued payroll	18,497	17,014
Accrued sick and vacation	42,743	39,603
	<u>165,399</u>	<u>163,308</u>
TOTAL CURRENT LIABILITIES	<u>165,399</u>	<u>163,308</u>
TOTAL LIABILITIES	<u>165,399</u>	<u>163,308</u>
NET ASSETS		
Invested in capital assets net of related debt	36,091	61,882
Net Assets:		
Unrestricted	319,943	380,356
	<u>319,943</u>	<u>380,356</u>
TOTAL NET ASSETS	<u>\$ 356,034</u>	<u>\$ 442,238</u>

City of Ishpeming, Michigan
Ambulance Fund
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004	2003
OPERATING REVENUES:		
Charges for services	\$ 621,209	\$ 570,643
Other operating revenues	31,000	903
TOTAL OPERATING REVENUES	<u>652,209</u>	<u>571,546</u>
OPERATING EXPENSES:		
Personal services	555,720	419,249
Capital outlay	7,292	12,808
Supplies	26,534	45,294
Utilities	5,652	5,251
Depreciation	25,791	33,909
Other expenses	117,611	48,399
TOTAL OPERATING EXPENSES	<u>738,600</u>	<u>564,910</u>
OPERATING INCOME (LOSS)	<u>(86,391)</u>	<u>6,636</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income and rentals	187	212
TOTAL NONOPERATING (EXPENSES)	<u>187</u>	<u>212</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(86,204)</u>	<u>6,848</u>
Transfers in	-	200,000
Transfers (out)	-	(198,000)
CHANGE IN NET ASSETS	<u>(86,204)</u>	<u>8,848</u>
Net assets, beginning of year	<u>442,238</u>	<u>433,390</u>
NET ASSETS, END OF YEAR	<u><u>\$ 356,034</u></u>	<u><u>\$ 442,238</u></u>

City of Ishpeming, Michigan
Ambulance Fund
Statement of Cash Flows
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 679,531	\$ 490,500
Other operating revenues	31,000	903
Cash payments to employees for services	(551,097)	(416,283)
Cash payments for payroll taxes	(42,513)	(32,073)
Cash payments to suppliers for goods and services	(111,234)	(75,224)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>5,687</u>	<u>(32,177)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in (out)	-	2,000
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>2,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(56,986)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(56,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	187	212
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>187</u>	<u>212</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,874	(86,951)
Cash and cash equivalents, beginning of year	(100,508)	(13,557)
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (94,634)</u>	<u>\$ (100,508)</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (86,391)	\$ 6,636
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	25,791	33,909
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	58,322	(80,143)
Increase (decrease) in accounts payable	3,342	4,455
Increase (decrease) in accrued payroll	1,483	2,153
Increase (decrease) in accrued sick and vacation	3,140	813
NET ADJUSTMENTS	<u>92,078</u>	<u>(38,813)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 5,687</u>	<u>\$ (32,177)</u>

City of Ishpeming, Michigan
Sewer Fund
Statement of Net Assets
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 292,854	\$ 169,992
Accounts receivable	59,850	60,555
Allowance for uncollectible accounts	-	-
Taxes receivable	-	421,713
Prepaid expenses	71,052	13,086
	<u>423,756</u>	<u>665,346</u>
TOTAL CURRENT ASSETS	<u>423,756</u>	<u>665,346</u>
Noncurrent Assets:		
Investment in Wastewater Treatment Facility	2,597,333	2,707,071
Property, plant and equipment	14,166,469	12,751,073
Accumulated depreciation	(5,838,503)	(5,521,980)
	<u>10,925,299</u>	<u>9,936,164</u>
TOTAL NONCURRENT ASSETS	<u>10,925,299</u>	<u>9,936,164</u>
TOTAL ASSETS	<u>11,349,055</u>	<u>10,601,510</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	310	1,058
Accrued liabilities	-	6,036
Accrued payroll	1,555	1,106
Accrued sick and vacation leave	-	-
Deferred revenue	-	421,713
Current portion of long-term debt	-	197,841
	<u>1,865</u>	<u>627,754</u>
TOTAL CURRENT LIABILITIES	<u>1,865</u>	<u>627,754</u>
Noncurrent Liabilities:		
Revenue bonds payable	-	-
	<u>-</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,865</u>	<u>627,754</u>
NET ASSETS		
Invested in capital assets net of related debt	10,925,299	9,738,323
Net Assets:		
Unrestricted	421,891	235,433
	<u>11,347,190</u>	<u>9,973,756</u>
TOTAL NET ASSETS	<u>\$ 11,347,190</u>	<u>\$ 9,973,756</u>

City of Ishpeming, Michigan
Sewer Fund
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004	2003
OPERATING REVENUES:		
Taxes	\$ 422,908	\$ 414,425
Licenses and permits	180	450
Charges for services	713,641	712,816
TOTAL OPERATING REVENUES	<u>1,136,729</u>	<u>1,127,691</u>
OPERATING EXPENSES:		
Personal services	95,272	58,652
Contractual services	419,251	442,489
Supplies	24,517	13,466
Utilities	1,117	1,214
Depreciation	316,523	314,701
Payment in lieu of taxes	170,000	140,000
Other expenses	4,228	10,626
TOTAL OPERATING EXPENSES	<u>1,030,908</u>	<u>981,148</u>
OPERATING INCOME (LOSS)	<u>105,821</u>	<u>146,543</u>
NONOPERATING REVENUES (EXPENSES):		
Interest expense	(12,072)	(33,219)
Loss on wastewater facility	(109,738)	(143,915)
Change in value of investment in wastewater facility	-	(124,438)
Interest income and rentals	1,979	1,162
TOTAL NONOPERATING (EXPENSES)	<u>(119,831)</u>	<u>(300,410)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>(14,010)</u>	<u>(153,867)</u>
Capital contributions	1,387,444	-
Transfers (out)	-	(40,000)
CHANGE IN NET ASSETS	<u>1,373,434</u>	<u>(193,867)</u>
Net assets, beginning of year	<u>9,973,756</u>	<u>10,167,623</u>
NET ASSETS, END OF YEAR	<u><u>\$ 11,347,190</u></u>	<u><u>\$ 9,973,756</u></u>

City of Ishpeming, Michigan
Sewer Fund
Statement of Cash Flows
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 1,137,434	\$ 1,183,648
Other operating revenues	-	-
Cash payments to employees for services	(94,823)	(59,612)
Cash payments for payroll taxes	(7,288)	(4,487)
Cash payments to suppliers for goods and services	(670,539)	(595,723)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>364,784</u>	<u>523,826</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in (out)	-	(40,000)
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(40,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(27,952)	(127,963)
Interest paid on long-term bonds	(18,108)	(38,031)
Principal payment on long-term bonds	(197,841)	(369,561)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(243,901)</u>	<u>(535,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	1,979	1,162
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,979</u>	<u>1,162</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,862	(50,567)
Cash and cash equivalents, beginning of year	169,992	220,559
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 292,854</u>	<u>\$ 169,992</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 105,821	\$ 146,543
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	316,523	314,701
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	705	(12,201)
(Increase) decrease in taxes receivable	421,713	(10,298)
(Increase) decrease in due from governmental units	-	68,158
(Increase) decrease in prepaid expenses	(57,966)	7,126
Increase (decrease) in accounts payable	(748)	459
Increase (decrease) in accrued payroll	449	(960)
Increase (decrease) in accrued sick and vacation	-	-
Increase (decrease) in deferred revenue	(421,713)	10,298
NET ADJUSTMENTS	<u>258,963</u>	<u>377,283</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 364,784</u>	<u>\$ 523,826</u>

City of Ishpeming, Michigan
Water Fund
Statement of Net Assets
December 31, 2004 and 2003

	2004	2003
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 442,270	\$ 173,812
Accounts receivable	243,996	260,629
Allowance for uncollectible accounts	-	-
Other current assets	-	-
TOTAL CURRENT ASSETS	<u>686,266</u>	<u>434,441</u>
Noncurrent Assets:		
Investment in Joint Water Authority	3,507,323	3,507,323
Property, plant and equipment	3,369,443	3,369,443
Accumulated depreciation	(1,719,971)	(1,639,417)
TOTAL NONCURRENT ASSETS	<u>5,156,795</u>	<u>5,237,349</u>
TOTAL ASSETS	<u>5,843,061</u>	<u>5,671,790</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	27,368	27,431
Accrued liabilities	52,500	51,719
Accrued payroll	7,032	5,105
Accrued sick and vacation leave	37,312	49,718
Current portion of long-term debt	-	69,231
TOTAL CURRENT LIABILITIES	<u>124,212</u>	<u>203,204</u>
Noncurrent Liabilities:		
Revenue bonds payable	-	-
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>124,212</u>	<u>203,204</u>
NET ASSETS		
Invested in capital assets net of related debt	5,156,794	5,168,118
Net Assets:		
Unrestricted	562,055	300,468
TOTAL NET ASSETS	<u>\$ 5,718,849</u>	<u>\$ 5,468,586</u>

City of Ishpeming, Michigan
Water Fund
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Federal sources	\$ -	\$ 129,414
Licenses and permits	200	400
Charges for services	995,646	1,032,130
Other revenue	<u>17,004</u>	<u>17,757</u>
TOTAL OPERATING REVENUES	<u>1,012,850</u>	<u>1,179,701</u>
OPERATING EXPENSES:		
Personal services	248,744	188,016
Contractual services	276,927	324,762
Supplies	64,363	40,401
Utilities	7,197	6,754
Depreciation	80,554	69,117
Payment in lieu of taxes	75,000	75,000
Other expenses	<u>8,483</u>	<u>7,814</u>
TOTAL OPERATING EXPENSES	<u>761,268</u>	<u>711,864</u>
OPERATING INCOME (LOSS)	<u>251,582</u>	<u>467,837</u>
NONOPERATING REVENUES (EXPENSES):		
Interest expense	(4,487)	(12,349)
Interest income and rentals	<u>3,168</u>	<u>472</u>
TOTAL NONOPERATING (EXPENSES)	<u>(1,319)</u>	<u>(11,877)</u>
INCOME (LOSS) BEFORE TRANSFERS	250,263	455,960
Transfers (out)	<u>-</u>	<u>(109,000)</u>
CHANGE IN NET ASSETS	250,263	346,960
Net assets, beginning of year	<u>5,468,586</u>	<u>5,121,626</u>
NET ASSETS, END OF YEAR	<u>\$ 5,718,849</u>	<u>\$ 5,468,586</u>

City of Ishpeming, Michigan
Water Fund
Statement of Cash Flows
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 1,012,479	\$ 1,167,485
Other operating revenues	17,004	17,757
Cash payments to employees for services	(259,223)	(211,826)
Cash payments for payroll taxes	(19,029)	(14,383)
Cash payments to suppliers for goods and services	(409,979)	(440,366)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	341,252	518,667
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in (out)	-	(109,000)
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	(109,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(94,479)
Interest paid on long-term bonds	(6,731)	(9,188)
Principal payment on long-term bonds	(69,231)	(137,380)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(75,962)	(241,047)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	3,168	472
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,168	472
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	268,458	169,092
Cash and cash equivalents, beginning of year	173,812	4,720
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 442,270	\$ 173,812
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 251,582	\$ 467,837
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	80,554	69,117
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	16,633	5,541
Increase (decrease) in accounts payable	(63)	(18)
Increase (decrease) in customer deposits payable	3,025	-
Increase (decrease) in accrued payroll	1,927	(136)
Increase (decrease) in accrued sick and vacation	(12,406)	(23,674)
NET ADJUSTMENTS	89,670	50,830
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 341,252	\$ 518,667

City of Ishpeming, Michigan

FIDUCIARY FUNDS

The function of Fiduciary Funds is to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These include (a) private-purpose trust funds, (b) pension trust funds, and (c) agency funds.

City of Ishpeming, Michigan
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
December 31, 2004

	Private-Purpose Trust Funds				Agency Funds		
	England Library Endowment Fund	Lily Schopp Endowment Fund	Ruth Chilman Endowment Fund	Totals	Trust & Agency Fund	Tax Collection Fund	Totals
ASSETS							
Cash and equivalents	\$ 747	\$ 8,912	\$ 2,666	\$ 12,325	\$ 3,950	\$ 538,332	\$ 542,282
Investments	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	747	8,912	2,666	12,325	3,950	538,332	542,282
LIABILITIES							
Accounts payable	638	-	1,080	1,718	-	-	-
Due to other funds	-	327	-	327	2,393	264,791	267,184
Due to other governmental units	-	-	-	-	1,557	273,541	275,098
Deferred revenues	-	-	-	-	-	-	-
TOTAL LIABILITIES	638	327	1,080	2,045	3,950	538,332	542,282
NET ASSETS							
Held in trust for individuals, organizations, and other governments	109	8,585	1,586	10,280			
TOTAL NET ASSETS	109	8,585	1,586	10,280			

City of Ishpeming, Michigan
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Year Ended December 31, 2004

	Private-Purpose Trust Funds			
	England Library Endowment Fund	Lily Schopp Endowment Fund	Ruth Chilman Endowment Fund	Totals
ADDITIONS:				
Contributions:				
Gifts, bequests and endowments	\$ -	\$ -	\$ -	\$ -
Total Contributions	-	-	-	-
Investment Income:				
Net appreciation (depreciation) in fair value of investments	-	-	-	-
Interest and dividends	7	90	27	124
Net Investment Income (Loss)	7	90	27	124
TOTAL ADDITIONS	7	90	27	124
DEDUCTIONS:				
Payments in accordance with trust agreements	638	370	1,080	2,088
TOTAL DEDUCTIONS	638	370	1,080	2,088
CHANGE IN NET ASSETS	(631)	(280)	(1,053)	(1,964)
Net assets, beginning of year	740	8,865	2,639	12,244
NET ASSETS, END OF YEAR	\$ 109	\$ 8,585	\$ 1,586	\$ 10,280

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor, Members of the City Council and the City Manager of the City of Ishpeming, Michigan
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Ishpeming, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated February 25, 2005. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ishpeming, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management dated February 25, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ishpeming, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment could adversely affect the City of Ishpeming, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in a separate letter to management dated February 25, 2005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Ishpeming, Michigan 49849

internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated February 25, 2005.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 25, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

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City of Ishpeming, Michigan Report to Management Letter For the Year Ended December 31, 2004

To the Honorable Mayor and Members of
The City Council
City of Ishpeming, Michigan
Ishpeming, MI 49849

In planning and performing our audit of the financial statements of the City of Ishpeming for the year ended December 31, 2004, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

REPORTABLE CONDITIONS

Ambulance Fund

We noted management assessed the collectibility of the accounts receivable balance and began seeking additional funding sources for the Ambulance Fund during the year. We also noted the days revenue in accounts receivable decreased to 232 from 293 in the prior year. We commend management for addressing the increasing accounts receivable balance and decreasing funding for this Fund. However, the accounts receivable balance and days revenue in accounts receivable still remain at high amounts. We recommend the City continue to monitor the collection of older bills because as accounts become older they tend to be more difficult to pursue from a collection standpoint from both third-party payers and individuals.

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The above reportable conditions and suggestions for improvements in the internal control structure are noted for your consideration. The following comments are not reportable conditions as defined by the AICPA but are management points for which we feel consideration should also be given.

INSTANCES OF NON-COMPLIANCE

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that

To the Honorable Mayor and Members of
the City Council
City of Ishpeming, Michigan

all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The City was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnote S.

OTHER COMMENTS AND RECOMMENDATIONS

Capital Assets under GASB No. 34

It has been determined that there are several works of art that have been donated to the City's Library in the past. We recommend the City place a value on these works to determine if they should be recorded as capital assets under the City's new capital asset policy.

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This report is intended solely for the information and use of the City's management, and others within the City Administration. We appreciate and would like to thank the City's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

February 25, 2005